

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON BUSINESS AND LABOR

Call to Order: By **CHAIRMAN MIKE TAYLOR**, on March 15, 2001 at 8:00 A.M., in Room 422 Capitol.

ROLL CALL

Members Present:

Sen. Mike Taylor, Chairman (R)
Sen. Mike Sprague, Vice Chairman (R)
Sen. Edward Butcher (R)
Sen. Vicki Cocchiarella (D)
Sen. Sam Kitzenberg (R)
Sen. Dale Mahlum (R)
Sen. Glenn Roush (D)
Sen. Don Ryan (D)

Members Excused: Sen. Dale Berry (R)

Members Absent: None.

Staff Present: Bart Campbell, Legislative Branch
Kyanne Kelly, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 539, 3/12/2001; HB 542,
3/12/2001; HB 551, 3/12/2001
Executive Action: HB 542; HB 551; HB 519; HB490

HEARING ON HB 539

Sponsor: REPRESENTATIVE JEFF MANGAN, HD 45, GREAT FALLS

Proponents: Mark Staples, National Lenders Alliance
Jerry Driscoll, Pawn Shops, Title Loan Shops
Briana Kerstein, Montana Peoples Action
Matt Leow, Montana Public Interest Research Group
Bob Pyfer, Montana Credit Union
SENATOR MIKE SPRAGUE
George Bennett, Montana Bankers Association
Jim Robinson, Independent Auto Dealers
Brenda Nordlund, Department of Justice

Opponents: None

Informational Witness: Chris Olson, Department of Commerce

Opening Statement by Sponsor:

{Tape : 1; Side : A; Approx. Time Counter : 0.7}

REPRESENTATIVE JEFF MANGAN, HD 45, GREAT FALLS, said this is a bill about high risk loans which use the title of vehicles for collateral. These are usually 30 day loans. He stated that this bill does two main things; one, licensure of lenders to be overseen by the Department of Commerce, and two, it would make the business disclose certain information to consumers.

Proponents' Testimony:

Mark Staples, National Lenders Alliance, said there is a rather large segment of the population who need these high risk loans available to them, but they need to be protected.

Jerry Driscoll, Pawn Shops, Title Loan Shops, said pawn shops are regulated locally, and now it would be good for title loan lenders to be regulated also.

Briana Kerstein, Montana Peoples Action, said this bill would help regulate the companies from being predatory toward low income people. **EXHIBIT (bus59a01)**

Matt Leow, Montana Public Interest Research Group, said it is important that consumers know their rights and that they have somewhere to go when there has been an unjust action against them.

Bob Pyfer, Montana Credit Union, suggested an amendment that would require the title be filed with the motor vehicle division, just like any other lien is filed. **EXHIBIT (bus59a02)** He also stated that many of the credit unions have high risk lending programs, or sub-prime lending programs which would be better for people than the title loans.

SENATOR MIKE SPRAGUE, said this comes about because there is a whole society out there who don't have the ability to get money any other way, so these high risk loans are a real service to these people.

George Bennett, Montana Bankers Association, said he is a proponent of the amendments. He stated that these loans were originally meant to be short term loans, but now there is up to 10 rollovers on these loans, so the title should be made liens of record.

Jim Robinson, Independent Auto Dealers, said he supports the amendment, he thinks the liens do need to be recorded.

Brenda Nordlund, Department of Justice, said she strongly supports the amendment because it protects the customer.

Opponents' Testimony: None

Informational Witness: **Chris Olson, Department of Commerce,** said he was available for questions.

Questions from Committee Members and Responses:

SENATOR ED BUTCHER asked if it was reasonable to send in the titles because it takes so long for the titles to go through the system and come back.

Brenda Nordlund said the date is recorded right away, and for the creditor that system works very well, and efficiently.

Dean Roberts, Department of Justice said the title loan companies protect their risk by sending in the title to the county treasurer, if that procedure is not used then their asset is not protected.

SENATOR DON RYAN asked about putting the upper limit the title loan companies can charge into statute because if the rate changes then it would be necessary to come in and change it in statute.

REPRESENTATIVE MANGAN said we would be in big trouble if the rate got this high, he didn't think there was any problem is putting the upper limit in the statute.

SENATOR BUTCHER asked about the interest rate.

CHAIRMAN TAYLOR pointed out that it is 120% per year.

SENATOR RYAN asked about the return rate on vehicles.

REPRESENTATIVE MANGAN said it is more profitable for companies to return the car, he didn't give any return rate.

Closing by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 4.4}

REPRESENTATIVE JEFF MANGAN, HD 45, GREAT FALLS, said this bill is simply about two things; licensure and disclosure. He stated that the other options would be a class action suit, or bringing title loans under the consumer loans act, but this bill creates a better solution.

HEARING ON HB 542

Sponsor: **REPRESENTATIVE JOHN MUSGROVE, HD 91, HAVRE**

Proponents: **Jan VanRiper, State Auditors Office**
 Roger McGlenn, Independent Insurance Agents

Opponents: None

Opening Statement by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 13}

REPRESENTATIVE JOHN MUSGROVE, HD 91, HAVRE, said this bill would transfer the collection of the stamping fee for surplus lines to the Commissioner of Insurance if the surplus lines insurance organization is not performing its designated functions.

Proponents' Testimony:

Jan VanRiper, State Auditors Office, said normal insurance companies don't sell surplus insurance, Lloyd's of London is the classic example of surplus insurance, such as insuring a pianist's fingers. She said this bill would allow for regulation in rare cases, it is only a contingency situation.

EXHIBIT (bus59a03)

Roger McGlenn, Independent Insurance Agents, said what this basically does is out source the administrative work of this program, none of the regulatory authority is vested in this program.

Opponents' Testimony: None

Questions from Committee Members and Responses:

CHAIRMAN TAYLOR asked if the costs would be the same to contract the services out.

Jan VanRiper said the amount changes every year, depending on what activity happens. She said that some years there is an overabundance of fees, and other years not enough, but they even out over time.

CHAIRMAN TAYLOR asked about the deficit spending that showed on the handout.

Roger McGlenn said currently the books have just been closed for the past year and the deficit is around \$10,000.

Closing by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 26.2}

REPRESENTATIVE JOHN MUSGROVE, HD 91, HAVRE, said this would have a positive impact for the State Auditor's office.

EXECUTIVE ACTION ON HB 542

Motion/Vote: SEN. TAYLOR moved that HB 542 BE CONCURRED IN.
Motion carried unanimously.

HEARING ON HB 551

Sponsor: REPRESENTATIVE GARY FORRESTER, HD 16, BILLINGS

Proponents: Steve Turkiewicz, Montana Auto Dealers Assoc
Jim Robinson, Independent Auto Dealers
Dean Roberts, Motor Vehicle Division

Opponents: None

Opening Statement by Sponsor:

{Tape : 2; Side : A; Approx. Time Counter : 28.9}

REPRESENTATIVE GARY FORRESTER, HD 16, BILLINGS, said this bill would increase the security bond for vehicle distributors from \$25,000 to \$35,000.

Proponents' Testimony:

Steve Turkiewicz, Montana Auto Dealers Association, said security bonds are one of the requirements for vehicle distributors to be in business, for the protection of the consumer. He further stated that the bond hasn't gone up for some time, yet the cost of vehicles has gone up a lot in that period of time. He stated that this change would provide more protection for customers in today's market.

Jim Robinson, Independent Auto Dealers, said this increase is small enough that it won't put too much of a burden on the small dealers, yet will increase the protection to consumers.

Dean Roberts, Motor Vehicle Division, said if you raise this bond much more some small dealers would have trouble with the insurance underwriting.

Opponents' Testimony: None

Questions from Committee Members and Responses:

CHAIRMAN TAYLOR asked if the scrutiny by the insurance underwriter was the biggest problem in not increasing the bond more.

Steve Turkiewicz said yes.

Closing by Sponsor:

{Tape : 2; Side : B; Approx. Time Counter : 8.8}

REPRESENTATIVE GARY FORRESTER, HD 16, BILLINGS, said this bill would allow greater consumer protection and also not be so great that some of the smaller dealers couldn't be qualified.

EXECUTIVE ACTION ON HB 551

Motion/Vote: SEN. MAHLUM moved that HB 551 BE CONCURRED IN.
Motion carried unanimously.

EXECUTIVE ACTION ON HB 519

Motion/Vote: SEN. COCCHIARELLA moved that HB 519 BE CONCURRED IN.
Motion carried unanimously.

EXECUTIVE ACTION ON HB 490

Motion: SEN. TAYLOR moved that HB 490 BE CONCURRED IN.

CHAIRMAN TAYLOR said the economic development groups would use this to create jobs. SENATOR MAHLUM said they would be using this money with some Department of Agriculture money. SENATOR SPRAGUE said these monies would be matched by the USDA, and it would bring more money into Montana.

Vote: Motion carried unanimously.

ADJOURNMENT

Adjournment: 9:20 A.M.

SEN. MIKE TAYLOR, Chairman

KYANNE KELLY, Secretary

EXHIBIT (bus59aad)